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Susan Besio, 9/10/09

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September XX, 2009

Kathleen Sebelius
Secretary
United States Department of Health and Human Services
200 Independence Avenue S.W.
Washington, D.C. 20201

EXTENSION REQUEST – VERMONT GLOBAL COMMITMENT TO HEALTH

Dear Secretary Sebelius:

The State of Vermont and the Centers for Medicare and Medicaid Services have partnered to develop and implement one of the most innovative health care reform models in the country, the Vermont Global Commitment to Health 1115 Demonstration Waiver.

Under the Demonstration, the State of Vermont gained additional flexibility to better serve individuals in need of health care coverage and transform how health care services are delivered. Vermont has made great strides to reform its health care system during the first three years of the Demonstration. The Demonstration is an integral component of the State's health reform effort to achieve universal access to coverage while improving the quality of care and controlling program costs.

In exchange for additional flexibility in the operation of its program, the federal government received a commitment from Vermont to limit growth in aggregate program expenditures. Vermont has contained growth in program expenditures within the limits established by the budget neutrality terms of the Demonstration.

The initial, five-year term of the Demonstration will end on September 30, 2010. The State of Vermont seeks to extend the Demonstration for an additional three years, from October 1, 2010 through September 30, 2013 under the authority granted by Congress under Section 1115(e) of the Social Security Act. We also request that, should national health care reform be enacted prior to or during our Waiver Extension, we have the flexibility to work with you to adapt our Global commitment Waiver in a manner that will maintain our state-federal partnership to achieve the goals that we both desire.

The remainder of this request provides the following, additional information:

- A summary of the Demonstration's successes;
- An affirmation of Vermont's compliance with the Demonstration's Standard Terms and Conditions;
- A summary of Vermont's pending amendment request

- The projected budget neutrality limit through the extension period, under the same terms as the original budget neutrality agreement

Successes of the Global Commitment to Health

The Global Commitment to Health Demonstration has proven to be a successful and integral component of the State's reform efforts. Under the Demonstration, the Office of Vermont Health Access (OVHA) serves as the public managed care entity and must adhere to the federal rules for Medicaid managed care organizations as defined in 42 CFR 438. The Agency of Human Services and OVHA have collaborated to complete transformation of the Vermont Medicaid program to a public managed care model.

Vermont's public managed care model has responsibility for assuring that Vermont's comprehensive health care reform initiatives are coordinated across state government and with other public and private partners, fostering a collaborative, inclusive approach to the implementation of health care reform to ensure its consistency and effectiveness.

Access to affordable health care is a critical component of our reform efforts. Individuals who are unable to access affordable health insurance are more likely to not receive appropriate primary and preventive care. When uninsured individuals' health care needs become complex and costly, the health care system and the Vermont Medicaid program bear the cost of care. The Demonstration and the public managed care model serve as the foundation for Vermont's statewide health care reform initiatives.

Starting with Acts 190 and 191 (Acts Relating to Health Care Affordability for Vermonters) and augmented by Acts 70 and 71 in 2007, Acts 203 and 204 in 2008, and Acts 49 and 61 in 2009, Governor Douglas and the Vermont Legislature have acted to facilitate broad-based reform, designed to simultaneously achieve the following three goals:

- Increase access to affordable health insurance for all Vermonters
- Improve quality of care across the lifespan
- Contain health care costs

Entering 2009 with over 60 active (or completed) reform initiatives, projects and programs, statewide reform is well under way to improve, refine, and transform the health care delivery system, improve quality of care, expand access to coverage, and improve system performance.

Vermont is making steady strides in covering its uninsured. Between November 2007 and June 2009, over 23,000 more Vermonters enrolled in health care programs offered through Green Mountain Care, the state's family of comprehensive health coverage programs for the uninsured. The most recent statewide survey indicated that as of December 2008, Vermont's total uninsured rate has fallen from 9.8% of those living without health insurance to 7.6% and the uninsured rate for children has decreased from 4.9% to 2.9%.

Other aspects of the state's comprehensive health care reform efforts include the following:

- Starting in July 2008, Vermont launched the Blueprint multi-payer Integrated Medical Home Pilots in three areas of the state and continued the successes of the statewide Healthy Living self-management classes for people with chronic conditions.
- OVHA has developed a statewide Chronic Care Initiative (CCI) program that is integrated with the Blueprint Medical Home pilots in those three areas, to focus on assisting Medicaid beneficiaries with the most complex health needs.
- Vermont is collaborating with Maine, New Hampshire, Massachusetts and Rhode Island, with support from the Milbank Foundation, to develop a New England wide medical home pilot initiative.
- During 2008, Vermont implemented a Health Information Technology Fee to support health care information technology for primary care providers and to further a statewide health information exchange network.
- In addition, Vermont:
 - ✓ Made significant progress on public health and prevention efforts related to promoting healthy weight for Vermonters;
 - ✓ Has developed multiple mechanisms to contain the costs of pharmaceuticals, with an emphasis on generic drug use where appropriate;
 - ✓ Implemented a 340B Pharmacy program to decrease the pharmaceutical cost for patients served by Federal Qualified Health Centers (FQHCs);
 - ✓ Promulgated rules to allow Vermont health insurance carriers to offer cost sharing discounts for enrollee adherence to health promotion and disease prevention programs;
 - ✓ Initiated a Consumer Price and Quality System, including hospital report cards, to facilitate the availability of transparent price and quality information for health care consumers;
 - ✓ Initiated its implementation of a multi-payer claims database to facilitate understanding of our health care utilization, expenditures, and performance across all payers and services;
 - ✓ Implemented an outreach tracking tool to further assist our Green Mountain Care enrollment efforts; and
 - ✓ Is embarking on a major re-design of the front-end process for eligibility determination and enrollment, to be closely followed by the replacement of a very antiquated eligibility processing system.

Vermont believes that the success of statewide reform is dependent upon the successful development of public-private partnerships. The above reform efforts include collaboration with such entities as private insurance carriers, health care advocacy organizations, health care providers and hospitals, Vermont Information Technology Leaders, University of Vermont Medical School, the business community and many others.

The economic downturn has placed additional strains on Vermont's public programs due to declining public revenues and increasing demand for public programs. Over the last year, public revenues have dropped substantially while caseloads for Vermont's health care programs have increased significantly.

In spite of these challenges, Vermont remains committed to the Demonstration's goals and meeting the health care needs of low-income Vermonters.

Compliance with the Demonstration's Special Terms and Conditions

Vermont has worked diligently to transform its public health care delivery model and is in compliance with the Demonstration's Special Terms and Conditions.

The Agency of Human Services contracted with the Health Services Advisory Group to conduct an external independent review of Vermont's public managed care entity. The contractor has completed its review of OVHA's compliance with federal operational and structural requirements; validated program performance measures; and validated performance improvement projects. Vermont's program received very high compliance scores from the independent reviewer. The independent reviewer has completed its second round review; while final scores have not been released, the draft findings indicate that Vermont again scored highly.

Under the terms of Section 1115(e) (4) of the Social Security Act, the deadline for submission of the final report is one year from the date the original waiver would have expired, or September 30, 2011.

While Vermont believes that it is in compliance with the Special Terms and Conditions, the State requested clarification of certain terms and conditions as part of its March 5, 2009 amendment request. These clarifications, as well as other aspects of Vermont's amendment request, are presented in the following section.

Pending Amendment Request

Vermont submitted a request to amend the Demonstration on March 5, 2009. The amendment would provide us with additional flexibility to develop a health care system that makes optimal use of public funding and best serves Vermont residents.

Vermont seeks to amend the Special Terms and Conditions for the Global Commitment to Health Demonstration in order to secure the authority to promote the Demonstration's goals. Vermont also seeks to modify and/or clarify a limited number of policies related to the current program design. All of the proposed modifications can be accommodated within the existing budget neutrality terms.

Vermont requested the following amendments to the Demonstration:

- Extend eligibility from the current level of 200 percent to 300 percent of the Federal Poverty Level (FPL) for low-income, uninsured Vermonters under its innovative employer-sponsored insurance initiative, ESI Premium Assistance program and private product, Catamount Premium Assistance program.
- Extend pharmacy benefits for low-income Medicare beneficiaries from the current level of 200 percent of FPL to 225 percent of FPL

- Expand the scope of pharmacy benefits available to low-income Medicare beneficiaries who are not eligible for the cost sharing assistance available to low-income, traditional Medicaid enrollees

Vermont believes that inclusion of the above benefits under the Demonstration is critical to sustain coverage for those currently enrolled. These program modifications will enable the Vermont to promote the Demonstration's goals and can be funded within existing federal spending authority under the Demonstration.

Vermont's amendment request also sought revision of the Special Terms and Conditions to accommodate a limited number of important policy changes and clarifications. These modifications are summarized below:

- *Authority to modify the waiting period*-Vermont seeks Demonstration authority to modify the length of time individuals must be uninsured prior to qualifying for coverage. The Demonstration currently specifies a waiting period of twelve months; Vermont seeks authority to reduce this waiting period to six months, if fiscally feasible, in order to respond to the economic downturn.
- *Authority to provide immediate coverage for individuals who are victims of domestic violence*-Vermont seeks to waive the waiting period under which individuals must be uninsured prior to qualifying for victims of domestic violence. The purpose of this request is to remove the barrier to health coverage for individuals who lose coverage as a result of household changes.
- *Clarification of the role of the Office of Vermont Health Access (OVHA) under the Demonstration*-OVHA serves a dual role as administrator of the Medicaid program and the public managed care model under the Demonstration. Vermont seeks to clarify OVHA's role as public managed care model in order to acknowledge efficiencies of the OVHA's dual role and address potential regulatory and audit concerns.
- *Clarification of Reporting Requirements*-Vermont seeks to clarify inconsistencies contained in the current Special Terms and Conditions related to reporting of expenditures for populations that overlap among Medical Eligibility Groups (MEGs) and between Vermont's long-term care Demonstration (Choices for Care) and the Global Commitment to Health Demonstration.
- *Clarification of Waiver Close-Out Activities*-Vermont's Global Commitment to Health is the first demonstration in the country to undertake comprehensive reform through a statewide, public managed care model. CMS and the State collaborated throughout the transition to resolve numerous issues, including those related to federal claiming. Vermont transitioned federal claiming from the previous VHAP Demonstration; the Global Commitment Demonstration assumed liability for claims incurred prior to start date of the waiver. However, Vermont did not have available resources to pay for claims that were incurred prior to the start of the Demonstration and make capitation payments to OVHA as the public managed care model. OVHA therefore used capitation revenues to pay for claims incurred prior to the start of the Demonstration. Vermont seeks an assurance from CMS that it intends to work with the State to develop an equitable funding approach for payment of claims subsequent to termination of the waiver that recognizes the unique nature of Vermont's public managed care model.

We are hopeful that federal approval of our amendment request will precede approval of this extension request and therefore will be incorporated into the extension under the same terms and the existing Demonstration.

Budget Neutrality

The State of Vermont and the federal government collaborated to develop an aggregate spending limit of \$4.7 Billion for the initial five-year term. The budget neutrality agreement was derived from historical program expenditures, trended forward to reflect anticipated enrollment changes and cost growth. Enrollment growth trends were based on Vermont’s historical experience and cost growth trends were based on national projections as prepared by the CMS Office of the Actuary and used for the President’s Budget.

Extension of the budget neutrality agreement for an additional three years would result in an aggregate, eight-year limit of approximately \$8.6 Billion, as presented in the following table.

Summary of Demonstration Spending Authority Through Extension Period

	Waiver Year	Cumulative Spending Limit
Initial Demonstration Period	1	\$1,015,000,000
	2	\$1,936,000,000
	3	\$2,848,000,000
	4	\$3,779,000,000
	5	\$4,700,000,000
Three-Year Extension Period	6	\$5,894,000,000
	7	\$7,198,000,000
	8	\$8,624,000,000

The State of Vermont has accumulated approximately \$386.7 million in program savings through the first three years of the Demonstration. The following table provides a summary of expenditures, compared to the annual waiver limit, for the first three years.

Summary of Demonstration Spending Authority and Current Expenditures

Waiver Year	Cumulative Spending Limit	Cumulative Expenditures	Waiver Surplus (Deficit)
1	\$1,015,000,000	\$786,399,414	\$228,600,586
2	\$1,936,000,000	\$1,612,732,433	\$323,267,567
3	\$2,848,000,000	\$2,461,319,888	\$386,680,112

While Vermont has experienced significant enrollment growth due to the economic downturn, the State also has taken steps to contain program costs. The State of Vermont believes that the extension of the

budget neutrality limit based on existing terms will provide sufficient expenditure authority for the State to operate its program.

Vermont is prepared to work with CMS staff and provide additional information necessary to ensure that Federal expenditures during the extension period do not exceed expenditures that otherwise would have been made.

Summary

Vermont, like most other states, is struggling with the challenge of containing program costs while we strive to make health care accessible and improve the quality of our health care system. We hope that CMS is willing to continue to actively partner with Vermont as we invest in statewide health reform.

Thank you for your attention to this very important program for the State of Vermont. Please feel free to contact me if you would like to discuss Vermont's Demonstration. Should your staff require additional information, I respectfully request that they work with Suzanne Santarcangelo, Director of the Vermont Agency of Human Services Health Care Operations, Compliance and Improvement.

Sincerely,

James Douglas, Governor

